

GILLESPIE FIELD DEVELOPMENT COUNCIL
May 18, 2004

AGENDA ITEM #7
SAFARI AVIATION
NEW AVIATION LEASE

BACKGROUND

Safari Aviation has been a master leaseholder on the west side of Gillespie Field since 1955. As a fixed base operator, they lease aircraft hangars to individual users and businesses that provide aviation services. A portion of the leasehold is also offered as tie down space. Safari Aviation has been interested in expanding their development since 1998 but was prevented from developing the land in the southeast corner of their leasehold by the presence of two underground storage tanks which were subsequently removed and the site moved towards clean closure. In 2003, Safari Aviation received clearance to develop from State, County, and City environmental agencies.

PROPOSAL

Proposed New Aviation Lease for Safari Aviation (Current Contract No. 71101R).

Term – The term of this Lease will be thirty (30) years commencing on August 1, 2004 and terminating July 31, 2034. The new lease will supercede the existing lease, County Contract No. 71101R.

Proposed New Development – A new aviation building totaling about 8,860 square feet on two floors comprised of 70 percent hangar area, 10 percent office area, and 20 percent storage/multi-purpose area has been proposed by Safari Aviation. A proposed site plan has been submitted to the FAA as part of the Notice of Proposed Construction or Alteration process. If FAA does not grant approval alternate plans will be developed. The County will hold site plan approval until FAA has no objection. Master development plans will be brought to GFDC for review at that time.

Rental – The current lease is under the Gillespie Field monthly base rent schedule until February 28, 2010. The County proposes to carry the schedule over to the new lease. In 2010, rent will be determined by the standard rent clause as provided for in the current lease. The current monthly base rent is \$462.44 per acre per month, or \$2,187.34 per month based on 4.73 acres.

Minimum Capital Investment -- It is Airports' standard practice to require a \$5,000 per acre per additional lease year minimum capital investment. Based on this formula, the requirement is a minimum investment of \$378,400 ($\$5,000 \times 30 \text{ years} \times 4.73 \text{ acres}$).

Equity Payment -- Lease extensions granted by the County are subject to equity payments to recognize the present value of the reversionary interest in the existing leasehold improvements. County's estimate of Safari's equity totals \$185,628 (rounded), based on the

depreciated value of the improvements. This amount can be paid in a lump sum or be amortized at 9% over 15 years with monthly payments of \$1,882.77 per month.

New Lease Form - The new lease will be based on the County's standard lease form, which includes all the current updated language approved by County Counsel.

RECOMMENDATION

Staff recommends that the Council adopt the following motion with respect to the proposed transactions:

MOTION – *"It is recommended that the Board of Supervisors approve the proposed new Lease with Safari Aviation, as recommended by staff."*